arch 1, 1961

Investor's Reader

For a better understanding of business news

LEO AND
DAVID BAKALAR
PLAN TRANSITRON
FUTURE (see page 20)

COMFORT BY WESTINGHOUSE

If so inclined this oddly clad gentleman could with complete comfort rest his hand on the cake of ice for the rest of the day. The cold does not penetrate his glove, nor does the cold of the climate chamber (minus 40°) in which he stands seep through his shiny, thermo-electrically air conditioned suit. If he were to wait twelve hours till the climate chamber was heated to Sahara-hot temperatures of 135° he would remain as comfortable.

Developed jointly by Westinghouse Electric Corp and the Naval Supply Research & Development Facility in Brooklyn, this woven aluminum outfit maintains a constant 80° inside temperature regardless of outside conditions. Westinghouse was responsible for the design and construction of the unique thermo-electric air conditioning unit. The Navy designed and fabricated the protective garment, installed the air conditioning system and is testing the finished suit.

The thermo-electric principle used is a relatively undeveloped technique for refrigeration or heating which eliminates moving apparatus or fluids. A current of electricity passed in one direction through thermo-electric couples made of semiconductor materials will cause them to cool; when the current is reversed, the couples heat—all in automatic response to outside conditions. A face mask equipped with a heat exchanger for cooling or warming provides breathing air. On the back is a pair of fans, the only moving parts in the whole system, to circulate the air within the suit.

For the Navy the new garment will be useful because more & more of its personnel are called on to work under both very high and very low temperature conditions. However it is still far from production.

While advancing in scientific lines, Westinghouse along with other major electrical equipment companies is feeling the effects of the recent antitrust convictions as well as a time-marking 1960 with profits of $2.22 a share v an adjusted $2.43 (aided by a 21¢ net credit) in 1959. Also the threat of additional law suits this time by customers to recover losses from excessive bids for electric equipment has contributed to drive Westinghouse down to a 1960-61 low of 42. As recently as June it traded at 65.

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Investor's Reader

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BUSINESS AT WORK

TIONAL ECONOMY

shbutton Plunging

HE ELECTRONIC revolution which seeks to make things push-tonly convenient in most every ere of life now promises to make asier to slim the horse player's let. An outfit reassuringly dubbed ctronic Assistance has plans to t "revolutionary" machines stra-cally all around the track (or off f & when the law permits). The or would just punch the proper bination of buttons to get his et and see his pick registered on tote board.

ODS

ech-Nut Life Savers Recipe

OODIES such as Life Savers, candy-coated Beechies and ch-Nut stick chewing gum along a wide assortment of baby ds joined to give Beech-Nut Life ers Inc record 1960 profits. The iminary company report shows net income of roughly $9,000,000 or $2.80 a share *v* $8,100,000 ($2.53) in 1959.

Last year's sales of around $118,-000,000 also represent a new high for Beech-Nut's own products. The previous peak of $122,300,000 in 1956 included $11,000,000 in sales of Swift & Company baby meats which Beech-Nut marketed under the Swift label. Beech-Nut cancelled the marketing arrangement at the end of 1956, has since teamed with George A Hormel & Company which processes and packs baby meats using Beech-Nut formulas. Beech-Nut figures this is "a sounder business plan."

Manhattan-headquartered Beech-Nut Life Savers is the result of the August 1956 merger of Beech-Nut Packing Company of Canajoharie, NY and Life Savers Corp of Port Chester, NY. Besides its candies with the hole in the middle, Life Savers also brought Pine Bros glycerine

cough drops to the marriage. The Beech-Nut dowry included chewing gum, baby foods and a coffee roasting and marketing business.

The current $77,200,000-assets concern was put together by the late Edward John Noble, the colorful and highly successful founder of Life Savers, and W Clark Arkell, son of the Beech-Nut Packing founder. "EJ" Noble was widely known in financial circles. Besides running Life Savers he bought controlling interest in and became chairman of American Broadcasting Company in 1943, a decade later merged it with United Paramount Theatres.

Management Lineup

The present top management of Beech-Nut Life Savers includes Life Savers alumni Robert P Noble (EJ's brother) as vice chairman, Edward J Jordan, president and Earl E Anderson, secretary. Board chairman is lawyer Alger B Chapman, also executive director of the Noble Foundation. Clark Arkell maintains his post as chairman of the executive committee. The Arkell family is the largest owner of Beech-Nut Life Savers stock, controls over 10% of the 3,200,000 shares.

Prior to the marriage Beech-Nut Packing with sales of $91,000,000 was over four times the size of Life Savers. However Beech-Nut in 1955 reported pre-tax margins of only 9%, Life Savers a robust 26%.

Since the merger the combined Beech-Nut Life Savers has become a much more aggressive marketer, has more than doubled advertising and promotional expenses to a current annual rate of $13,000,000. The emphasis has been on gum and baby foods.

Coffee, the smallest Beech-Nut operation, is understood to have contributed less than a tenth of total volume. Early last month however Beech-Nut doubled the size of its regular and instant coffee business with the cash acquisition of privately owned Martinson's Coffee.

Because of frequent surpluses coffee is a highly competitive business. In the past three or four years Beech-Nut has been forced to cut prices several times (in good part of course reflecting lower coffee bean prices). The latest was nearly a cent an ounce on instant coffee in January. Fortunately for Beech-Nut and its 20,000 stockholders, has been able to adjust prices on other products. In the middle of last year Beech-Nut followed leader American Chicle and Wrigley raising the price of chewing gum a nickel to 60¢ for a box of 25 Life Savers was hiked the same Last Fall Beech-Nut which is No. in baby foods followed the lead industry leader Gerber and No. maker Heinz, put through a 3% "across the board" price increase on baby foods.

Baby foods are Beech-Nut's largest single operation, accounting for over two-fifths of sales. The company introduces six-to-eight new items yearly, has lately concentrated on juices and cereals. Life Savers and cough drops account for just under a quarter of total volume. Life Savers are particularly lucrative. Sales grow at a 5-to-7% a

nual rate, are reportedly still close to 25% pre-tax margins.

Beech-Nut produces Life Savers and chewing gum in many parts of the world including Canada, Central & South America and South Africa. In August Beech-Nut in a joint venture with General Milk Company (owned by Carnation and Pet Milk) opened a baby food plant in Bad Essen, West Germany. At present its "Lucky Clover" foods are sold only in Germany but the sponsors plan eventually to market them in Belgium, France and Holland. The Bad Essen facility will also start to make chewing gum this year.

Another joint venture planned by Beech-Nut this year is with British candy maker Whiteside for a Life Savers plant in Britain which incidentally has the world's highest per capita consumption of candy.

Beech-Nut does not expect its new foreign operations to contribute significantly to profits this year. However if domestic unit sales just hold even with 1960, the company figures price improvements could push profits over $3 a share. And Beech-Nut has indicated an earnings increase will "quite likely" be accompanied by a dividend hike. The company traditionally pays out 60% of profits, has upped the dividend modestly each year since the merger. The latest increase was 2½¢ last August to 42½¢ quarterly.

Higher profits and interest in the so-called defensive issues have helped push "BLS" shares to an alltime high of 58 on the Big Board. Still another reason for the climb is the company is publicly and actively

Beech-Nut cereals for healthy tots

interested in more acquisitions. According to some rumors, Beech-Nut might very soon gobble up one or possibly two companies with closely compatible products. If so, at least one could easily be for cash since the Beech-Nut balance sheet of December 31 boasts a solid $33,200,000 in cash & securities out of $67,000,000 in current assets.

UTILITIES

Hot Gas League

SEASONAL SHIVERS and heavy snow take their toll in many a business. For example in Manhattan, which broke an alltime record with a 17-day below-freezing spell and has been snowed under by 53 inches so far (while 30 inches is the normal snow quota for an entire year), many retailers are feeling blue—

and not just from the weather. Retail sales through mid-February were 8% below the same period last year. And many a builder who thought first quarter weather for 1961 could not possibly be as bad as 1960 is taking a second look.

Amid such winter woes one group decidedly warmed by the weather is gas and heating oil distributors. In January estimated oil distillate runs (about 50% of which is No 2 heating oil) were 12% ahead of last year. In many areas gas distribution is at record highs.

A spokesman for Niagara Mohawk Power Corp reports from Syracuse: "We have set a number of records for gas send-out this year. Volume of 2,889 million cubic feet for the week of January 28 broke all previous records and exceeded the old record by 28%." Says Brooklyn Union Gas Company: "Our figure of 300,000 mcf formerly considered a normal daily volume peak has already

FROSTY WINTER BOOSTS GAS SALES

Company	Area	Period	Gas Volume million cf 1960/61	Gain v 59/60	Average Temperature 60/61	59/60	Heat Customers thou 60/61	59/61
Brooklyn Union Gas	Bklyn, Queens, Staten Island	Dec	7,752	28%	31°F	39°F	140	118
		Jan	8,432	25	28	34		
		Season	28,014	20				
Columbia Gas System	Appalachian area	Dec	119,584	24	27	37	1,449	1,428
		Jan	122,900	16	25	33		
		Season	245,000	20				
Consolidated Edison	Manhattan, Bronx, Westchester	Dec	6,725	23	31	39	95	85
		Jan	7,334	20	28	34		
		Season	24,673	14				
Laclede Gas	St Louis	Dec	11,000	21	28	39	220	212
		Jan	11,500	14	31	34		
		Season	34,900	5	41	42		
Long Island Lighting	Long Island	Dec	3,117	36	31	38	332	322
		Jan	3,370	28	28	34		
		Season	13,785	23				
New Jersey Natural Gas	Southeastern New Jersey	Dec	1,510	20	29	38	53	46
		Jan	1,891	35	25	34		
		Season	5,455	22				
Niagara Mohawk Power	Upstate New York	Dec	9,759	21	24	31	220	207
		Jan	10,848	16	19	25		
		Season	38,748	13				
Public Service Elec & Gas*	Northern New Jersey	Dec	142,807	29	31	38	300	270
		Jan	155,300	23	27	33		
		Season	531,563	22				
South Jersey Gas†	Southern New Jersey	Dec	1,099	37	31	39	83	79
		Jan	1,220	36	27	35		
		Season	3,962	27				
Washington Gas Light	D C	Dec	8,751	37	31	42	524	505
		Jan	9,130	26	30	38		
		Season	29,582	21				

"Season" covers heating season through latest available February date.
†Retail sales only *Gas volume in therms.

been surpassed 17 times this season." Laclede Gas of St Louis which profited from an unusually cold 1959-60 winter (IR, January 18) notes this season is even chillier. With average temperature in the heating season down about 8%, gas volume is up 5%.

One exception is Burlington's Green Mountain Power Corp which derives about 10% of revenues from gas sales in north central Vermont, the rest from electricity. Temperatures have been only slightly below normal for this usually chilly region and snowfall is lighter than average. Gas volume has not been affected appreciably though weather reportedly has boosted kilowatt hour sales 5%. Furthermore, Green Mountain (and skiers as well) would appreciate more snow. Says chairman Willis C Fitkin: "When heavy snows accumulate, under normal conditions we benefit in the spring. For us and other companies with hydroelectric facilities the resulting water run-off lowers operating costs."

Some Temperers

Despite record gas distribution which will help fatten gas utility profits, there are certain weather factors which may temper earnings. Washington (DC) Gas Light notes its system of peak saving gas. When the temperature falls below around 28°F the company which normally buys natural gas from a Columbia Gas subsidiary begins to manufacture some gas in its own stand-by plants. It thus tries to avoid lifting its daily purchase to a new peak which would involve a higher cost for the gas. Once it pays the new peak rate even for one day it must continue to pay that rate for the rest of the year. Consequently, though Washington Gas Light's production costs exceed the price for which the gas is sold to the consumer, "the economics involved dictate this system."

Washington Gas Light is not alone. As demand rises many gas distributors must pay premium rates for extra gas. Moreover, the next year's rates are often prescribed according to rates paid and volume subscribed the year before. Another factor which affects profits are the generally higher operating costs in extreme weather conditions.

Oil companies also cheer the cold. But they too do not necessarily gather earnings in direct proportion to increased heating oil sales. While the state commissions must approve the gas rates to the customer, the oil sellers set their own prices based on operating expenses plus demand. As a result price hikes, particularly along the Eastern seaboard, have been a regular occurence ever since the thermometer started down in December. However, as inventories along the Gulf Coast supply area have decreased, prices to suppliers and tankers rates have also gone up.

A Gulf Oil spokesman notes for example, while it has raised its price to consumers in metropolitan New York a total of 1.3¢ a gallon in two increases this Winter, the open market prices plus higher tanker rates have boosted its costs approximately the same amount. Even so, he agrees thanks to increased volume "business this Winter is extremely good."

FINANCE

Walter E Heller Celebrates With Another Record Year

THE 41st annual report which Walter E Heller & Company mailed from Chicago recently was a happy one. "Despite the downturn in general business conditions during the last half of the year" the commercial financier was able to report a 17% gain in net profits to $5,165,000 or $3.22 a share from last year's $4,400,000 or $2.74 a share. What is more, this marked the 16th successive year Heller increased its net income and the 13th consecutive year it has boosted per share earnings.

Founder-chairman Walter E Heller explains finance companies do worst "when the economy is on an even keel." In a business upturn banks cannot handle all the loans required by companies for expansion. In a downturn, banks "squeeze out" many loans because they are unable to "counsel, examine and keep in constant touch" with these companies at "simple interest rates." So, says Walter Heller, "they turn to Heller."

Heller ended last year with a record $290,000,000 in receivables outstanding, up 23% for the year. To prepare for still further growth "indicated by the strong demand for our funds," Heller this January sold 100,000 additional shares for $5,008,000. This increased the number of shares to 1,607,000 which trade on the Big Board (symbol HLR) at an alltime high of 65, a full ten points over the previous 1960 record. Dividends are 40 quarterly after a nickel boost la September.

Although the $15 billion com mercial finance industry is no securely entrenched in the economy Walter Heller points out "the financ ing business was very new in th period right after War I when w started." The son of a successfu sausage casings maker, Chicago born Heller left the University o Michigan in 1909 determined to fin his place in the banking world. H reminisces: "I walked my sho leather off but no one wanted me. By 1919 he was able to start h own automobile financing busines in Chicago with $100,000 capita Founder Heller continues: "Th automobile business proved to b very seasonal since all the cars we open."

On to Other Industries

A few years later the compan loaned money against the accoun receivable of Iron Fireman Man facturing. Shortly thereafter "w dropped the consumer automobil financing business and went int work with other industries." F nancier Heller boasts: "We bough the first planes for National Airline and helped to pull Continental Mo tors through the Depression."

While long out of retail aut loans, more than one quarter of to day's Heller portfolio is in redi count loans to automobile and othe finance companies. Accounts recei able loans and instalment financin each account for around 20%. Loan on equipment and other collatera factoring, inventory loans and mov

& TV production loans make up the rest.

Heller and similar finance companies charge interest about twice banks rates but maintain the actual difference is narrower. There are no "compensating balances" which borrowers must keep on deposit in a bank. And interest is figured on a *per diem* basis with repayment permitted any time so the borrower pays only for the exact period he uses the money.

Even so, rates must necessarily top bank charges since Heller obtains much of its own funds from banks (it has a prime credit rating). Also it assumes many risks which the average bank would turn down. Its over 800 clients are mostly businesses which have either been turned down by banks or have not been able to get all the bank credit they need. In addition to funds, the Midwest financier offers many a customer sound advice. This is in the interest of both customer and Heller. However chairman Heller stresses: "Although many businesses have to be guided, we never try to manage."

While Heller began accounts receivable financing in the Twenties, the company did not enter factoring until 1935. In accounts receivable financing, Heller lends a client money against his receivables but the client handles his own collections. In factoring Heller purchases the accounts receivable outright and the client's customers pay directly to the factor. Heller's client then has the advantage of the company's credit & collection facilities, can

Financiers Heller & Livingston

thus avoid a large bookkeeping staff of his own. Heller also assumes the credit risk if the client's customer fails to pay.

Walter Heller explains his company's late debut into factoring: "It was concentrated on the Eastern seaboard for a long time since textile producers were the main customers for this service. We were one of the first finance companies to factor in the Midwest." The Chicago company now factors for various industries ranging from auto seat cover manufacturers to lumber producers to electrical companies. The chairman proudly cites the example of a carpet manufacturer who came to Heller ten years ago with $4,500 and an idea. Today, through the use of Heller funds, the man has com-

plete ownership of his $40,000,000 business.

The volume of business of any commercial finance company is limited by the amount of funds it can command. As of last year end, $255,000,000-assets Heller had $118,000,000 in credit lines from 100 banks and was using $75,700,000 of it. In March 1960 Heller placed $25,000,000 in notes, thus increasing its long-term debt to $101,000,000. States president Robert I Livingston: "Higher interest costs on recent long-term issues were partly offset by the more favorable rates on short-term borrowings during the latter part of the year."

Some Acquisitions

The major part of Heller's steady growth has come from internal expansion. Acquisitions have been few but profitable. In May 1940 it bought a controlling interest in National Acceptance of Chicago, a subsidiary which carries on similar operations but maintains separate quarters and personnel. Heller purchased West Coast factor Refinance Corp of California in March 1959 to extend operations geographically. In November 1959 it acquired a 33% interest in Nationwide Leasing Company "to diversify its portfolio and to permit Heller to participate in the growing industrial field."

This January Heller bought the preferred stock of Nationwide Investment, a subsidiary of Nationwide Leasing which will serve as a "warehouse plan for leasing." States financier Heller: "It was a marriage of convenience." Plans are presently in the works to establish a new division which will enable Heller t guarantee credit of various bus nessmen so they can obtain financi aid from other sources.

Also under consideration is e pansion of Heller operations ove seas. Comments Walter Heller: "A present it's beyond the wishful thini ing stage." On the domestic fro the company offers services fro the main Chicago office and fro branches in New York City, Los A geles, Boston, Atlanta and Detroit. t

Last June vigorous 70-year-o Walter Heller stepped up from pre dent to chairman to get in "mo 36-hole golf games." While he mai tains an important place in the co pany's policy decisions as a memb of the very influential executi committee, 45-year-old prexy Li ingston is now chief executive.

The Heller company has alwa emphasized the personal touch bo with clients and employes. Chai man Heller states: "I don't like hear employes say they work f Heller. I like to hear them say th work with Heller." He boasts: "O of 45 employes who were with us years ago, 27 are still with us. Tha a pretty good record."

CHEMICALS

Kodak Progress

TO CELEBRATE the startup its new 20,000,000-pound pol propylene plant at Longview, Tex the Eastman Kodak Company tw weeks ago hosted a hundred repo ers to coffee & donuts at RCA Rockefeller Center exhibition ha On hand to greet guests and prese Kodak's polypropylene story w

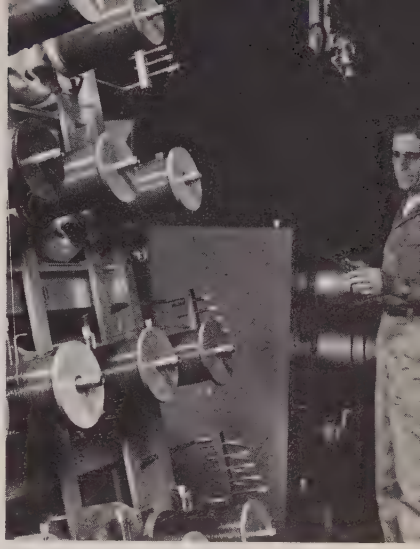
Louis Kenneth Eilers, president of both Tennessee Eastman and Texas Eastman, Kodak's two plastics, fiber and industrial chemical divisions.

President Eilers explained why Eastman Kodak had decided to enter the fast-paced polypropylene race already well populated by previous starters Hercules Powder, Avisun (joint American Viscose-Sun Oil venture) and Jersey Standard subsidiary Humble Oil. Actually it backed into production when it found itself with an excess of propylene at its Texas Eastman plant which supplied the raw materials propylene and ethylene to Tennessee Eastman's Kingston plant.

A similar "out of balance raw materials" situation resulted in Kodak's entry into polyethylene production some years earlier. President Eilers commented: "Polypropylene intrigued us for many reasons but primarily because we firmly believed its outstanding properties could make possible the development of a large-volume market in the plastic, film and fiber fields." He predicted a "broad market potential" for Kodak's new thermoplastic with its extraordinary properties of light weight, high rigidity, strength and resistance to impact, heat, chemicals and vapors.

The Pace Quickens

Still other companies seem to share Kodak's optimism for polypropylene. Dow, Montecatini, Firestone and Shell are all building polypropylene plants. Current production is estimated at 40,000,000 pounds and by the end of this year it should be close to 125,000,000.



Polypropylene filament on spools

And if announced plans develop on schedule polypropylene capacity should reach 460,000,000 pounds by the end of 1962. Some industry observers figure this will mean considerable overcapacity for some years to come.

At present end uses include housewares, rope, patio furniture, seat covers and packaging film but Louis Eilers feels the primary market will be injection-molded industrial parts. Some current industrial applications are appliance parts, pipe fittings, radio and television components and chemical apparatus.

The new polypropylene facilities are not the only recent Kodak news. In January Tennessee Eastman joined with West Germany's Chemische Werke Huels AG to produce and sell Eastman's polyester fiber Kodel in Europe. In another move last month Kodak announced it would begin to market magnetic tape for sound recording later this year,

might subsequently sell it for computer and movie-TV use.

The news had little if any effect on Kodak stock. The 38,300,000 common shares are off from their high of 136 to around 107. Even so this is a fat 33 times estimated 1960 profits which are expected to just about match the $3.24 a share netted in 1959.

METALS

Precious Handy & Harman

WHILE GOLD has churned violently in speculative markets and global headlines, considerably less precious cousin silver has led a busy but remarkably static life. In fact, though overall use of silver has shown a steady rise, the basic commercial price of 91⅜¢ an ounce has not changed in almost two years —except for a week's flurry in Summer 1959 when the San Francisco truck strike, which cut off deliveries from the US Mint, kicked the price up ¼¢. And whereas gold market reports must come from London (or at any rate, from outside the US), the internationally recognized daily silver quotation is issued right on Fulton Street in lower Manhattan.

The issuer is Handy & Harman (no Company, no Corp, no Inc), the country's leading handler of precious metals. The 94-year-old firm has posted daily silver prices ever since 1892. The price is what H&H will pay for the silver content of unrefined silver-bearing materials. Processing, transportation and other such charges are of course extra.

H&H refines and fabricates its metals into pure sheets, bars, etc. More important, it turns out a wide variety of alloys used for brazing, electrical contacts and sundry other applications. The company does a sizable business in gold and also stands ready to furnish pure metals and alloys from the platinum family. But silver is easily the dominant sector of H&H activities.

Nations no longer use silver as a monetary base but a fair amount is used for coinage. Last year the US Mint used 46,000,000 ounces in striking new coins, the rest of the (reporting) world 47,000,000. But by far the greatest portion of silver goes for industrial use from delicate missile parts to sterling flatware. Last year such industrial consumption came to 100,000,000 ounces in the US, 116,000,000 elsewhere.

Price Score

With industrial usage on the rise throughout the world and well in excess of newly mined production, commercial silver prices rose from the post-Korean low of 82¾¢ in 1952 to a brief high of 92¢ in 1955. Since then silver has traded in the 88⅝¢-to-91⅝¢ range. The reason it moved no higher is the US Treasury stands ready to sell from its free stocks at a New York equivalent of 91⅝¢. However, Treasury silver is available only to US users and may not be exported. Hence overseas prices have crept somewhat higher and silver was quoted around 93¢ in London last week.

The Treasury still had 123,500,000 ounces of free silver on hand at the start of this year and can expect

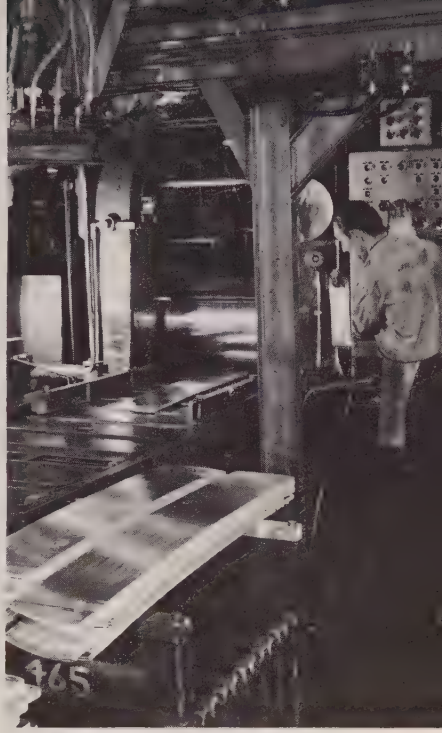
o add about 43,700,000 ounces to
iture stocks from final lend-lease
eturns. Since the Treasury stocks
ere drawn down by some 50,000,-
00 ounces during the past year to
eet US demand, a good many
peculators have become excited
bout a future price rise.

At best, however, they must be
atient. With Treasury stocks ample
or some years, Handy & Harman
otes: "The short-term outlook is for
ontinued price stability in the US."

Long-term Outlook

For the long term, "eventually
igher price levels can be expected."
nfortunately for most would-be
peculators in silver mining securi-
es however, silver is mostly re-
overed in conjunction with other
etals so the benefit to individual
ining companies is apt to be rather
mited. Nor would such a price
se be expected to enlarge greatly
ine production; it would primarily
erve to draw more silver from sec-
ndary sources such as private
oards, melting down of coins or
ewelry, salvage of industrial wastes,
c. In any case, H&H believes
here need be no concern as to the
vailability of sufficient silver for
dustry's future requirements."

This is fortunate for H&H's own
iture which depends on meeting
dustry's precious metal needs.
&H has no direct consumer prod-
cts but its handiwork is found in
ousands of items from appliances,
e skates and skin diving equip-
ent to autos, computers, radar and
ockets. The company fabricates
reat varieties of sterling silver and
arat gold for use in silverware,



Sterling rolling mill

jewelry, pen points and the like.

A particular H&H specialty is alloys (primarily silver) for brazing. Brazing is a process for joining metals at temperatures above 800°F (compared to lower heat for soft solders). It forms a joint stronger than the metals it binds together.

Brazing is used especially for joining ferrous with nonferrous metals in plumbing, electric circuits and sundry high-strength applications. The brazing alloys come in a wide variety of compositions, shapes and sizes including wire, sheet, strip, rings, washers, filings or powder with different melting points, flowing qualities and other physical characteristics to meet specific needs.

Another group of H&H products

takes advantage of silver's electricity and heat conducting properties. Numerous pure metal or alloy items are used for high-precision wiring and switching duties in electronic equipment.

In a diversification step outside precious metals H&H three years ago acquired Posen & Kline Tube Company. At its Norristown, Pa plant this unit produces precision tubing in stainless and carbon steels and various ferrous alloys.

Still another aspect of H&H operations is waste recovery. As precious metals find increasing use throughout industry, manufacturers' residue becomes more & more valuable. H&H takes scrap, sweeps, sludge, solutions, powders and other forms of precious metal waste including old jewelry and even paint scrapings. The pure metals recovered by intricate refining processes are either purchased from the customers who provided the materials or refabricated for them.

Disguised Value

Often the precious metal value is heavily disguised and manufacturers have frequently tossed away thousands of dollars annually in "moneyback" waste. Proclaims an H&H ad man: "They simply don't know that sometimes that which does not glitter can be gold."

By the nature of its work, H&H must rely heavily on research. As one example extensive H&H research developed materials for brazing the B-70 trisonic bomber's special honeycomb structure. Hence president Judson C Travis is encouraged by the recent resumption of the B-70 production program. "This and other uses of honeycomb structures will certainly help to add to our profits."

Also chemical products (manufactured by chemical processing rather than metal alloying and fabricating) have been a growing part of the company's business. Examples: silver flakes, powders and paints used in electronics for conductive coatings, printed circuits.

H&H's future also calls for enlarged facilities. Ever since 1953 executive offices and the gold processing plant have been maintained at the corner of Fulton and Gold Streets. But next month company headquarters will be moved uptown into a brand new office building on newly fashionable Third Avenue while gold operations will be transferred to a new plant in suburban Mount Vernon, adjacent to expressways which provide convenient truck access both to New York City and to H&H's main (silver) plant at Bridgeport. The company operates other plants in Providence, Chicago, Los Angeles and (through a Canadian subsidiary) Toronto.

A $27,000,000-assets company, H&H is better known in industry than in finance because most of the 1,400,000 common shares are closely held. Management owns roughly one-third of the total, including 122,000 held by chairman Cortlandt S. Handy. President Travis notes "the number of shareowners has been increasing steadily." There now are over 1,700 (including around 400 of the 1,000 employes) compared to 1,519 at the end of 1959 and only

169 in 1950. Even so the market is extremely thin. The shares which pay 11¢ quarterly dividends are quoted around 9 but little stock is actually available and trades are rare.

With so many H&H products used in the metal and durable goods businesses, the company was obviously affected by the recession last year. But president Travis could say: "In view of prevailing conditions, on the whole 1960 was a satisfactory year for us," though down from 1959 "which had been such an outstanding one." Sterling volume held up well and karat gold even improved but the electronic and brazing businesses were off. All told, sales dipped 5% to $81,700,000 while net was cut to $1,129,000 or 76¢ a share from 88¢.

However "a very good" December lifted fourth quarter profits above earlier expectations and "the new year has started off for us at about the same pace as the latter part of last year."

MANUFACTURING

Packaging Plan

THE AMBITIOUSLY named Packaging Corp of America was born in July 1959 by the triple fusion of American Box Board, Central Fibre Products and Ohio Box-Board. The $112,000,000-assets company thus started with a wealth of packaging products but its output was confined to paper and paperboard products. Now the young company appears set to hurdle the paper barrier into plastics.

From Chicago headquarters, the company announced negotiations are under way for two acquisitions. Worcester (Mass) Moulded Plastics will add expanded and injection plastics to Packaging Corp's line as well as form the management nucleus of a new plastics division. And the plastics division of Lakeside Manufacturing Company of Milwaukee will add polystyrene packaging.

One new Packaging Corp product resulting from these acquisitions will be Mold-Pak, an inner packaging made of expandable polystyrene. Packaging Corp feels the new plastics together with paperboard "offer an ideal packaging material which is able to absorb shock, has good insulation qualities and is light in weight."

First Year Score

In its first year of togetherness, the original Packaging trio brought in sales of $138,000,000 in the June 1960 period compared with pro forma sales of $128,000,000 in fiscal 1959. Profits came to $6,510,000 or $1.64 a share, the same as in fiscal 1959.

But for the six months ended last December, sales dropped 9% to $64,180,000. And due to "the industry's reduced level of business and the cost-price squeeze intensified by mounting competitive pressure," profits were off 56% to $2,168,000 or 53¢ a share *v* 83¢.

Packaging Corp presently has 3,820,000 shares outstanding which are quoted around 23, eight points below the 1960 high. The stock trades over-the-counter but management has stated it intends to apply for a Big Board listing before the end of the current fiscal year.

The Thinking Man's Retailer

Britain's Marks & Spencer Has Low Prices, High Values, A Nation of Friends

NOT FAR away from the celebrated residence of the late private detective Mr Sherlock Holmes in London is the Baker Street headquarters of a group of men and women similarly devoted to applying inductive and deductive reasoning in their business. They cerebrate in the head office of department store chain Marks & Spencer Ltd.

While its headquarters occupy about 300,000 square feet of a pleasantly appointed new seven-story building, Marks & Spencer is also to be found on the High Street (Britain's equivalent of Main Street) of practically every important English and Scottish city and town. Moreover it is widely known among British shareholders and has a stockholder family of more than 100,000.

While regarded in Britain as among the bluest of blue chips, Marks & Spencer is not widely known to investors this side of the Atlantic. Its securities are not traded through American Depositary Receipts and buyers of the shares must use "switch" or "security" sterling. It is not difficult to obtain this currency (which trades below "free" sterling). A broker can get it through a bank which deals in foreign currencies. There is, however, a 2% British transfer tax on the total amount of the transaction.

Each of the 237 Marks & Spencer stores, which specialize in clothing, fresh fruit and bakery goods, is well-lighted, clean and above all rationally organized. A customer standing at the front door can look sight uninterrupted to a readable sign at each section of the store.

At the counter all wares are in plain sight; price signs (as in US dime stores) apply to all goods in their section of the counter. The selection of styles is less varied than in a huge department store but British shoppers for years have borne monetary witness that the values available at the stores they call colloquially "Marks & Sparks" beat those of any retailer in their country.

An Enviable Score

From 1926 (when the company first became publicly held) until the outbreak of war in 1939, Marks & Spencer showed year-to-year gains in profits after taxes. Profits then fell in three of the war years and in 1952 but they have risen every other year. They were $25,400,000 in the fiscal year ended March 1960 compared with $7,160,000 in 1951. Sales for the same period were $415,000,000, up from $184,000,000 in 1951. This rapid gain in sales and earnings has been accomplished without benefit of large-scale advertising or instalment plans.

Marks & Spencer however has fortified its growth through considerable expenditures, mainly for continuous rebuilding, expanding and updating stores. Since the war M&S

New front for old Marks & Sparks store

...s spent $118,000,000 ...improvements, all of ...hich has been generated ...ternally.

The company has not ...creased the number of ...stores, prefers to build ...volume at existing ...tes instead, in part ...rough revamping the ...d outlets (see picture). ...ne reason for sticking ... its sites: they are so ...ntral, better ones would ... hard to find, let alone ...quire. Another point: while the ...to population in Britain is grow...g fast, the US-style flight to sub...ban shopping centers has so far ...t been copied.

Unlike that of some of its retail ...unterparts in the US, Marks & ...encer stock ranks as a "growth" ...uity in the British market. The ...arks & Spencer ordinary A stock ...s advanced from a low of about ... shillings ($1.68) in 1951 (ad...sted for a number of "share ...nuses") to its current price ...ound 100 shillings ($14) on the ...ndon Stock Exchange. The 84,-...0,000 ordinary A shares which ...ve no voting privileges, are widely ...ld. The voting rights are pos...ssed by 2,400,000 shares of ordi...ry common, all which are closely ...ld.

Merchandising Principles

The reason for Marks & Spencer's ...eady climb in turnover and prof... has been its adherence over the ...ars to a well-defined set of merch...ndising principles. Only two men ...ve headed the company since its founding in 1884, Michael Marks and his son Sir Simon Marks who is now 72.

Sir Simon's corporate philosophy: please your customers, suppliers and employes and the business will prosper. Long before anyone invented the term "a good corporate citizen," Marks & Spencer proved it was one.

The cardinal principle is "the finest quality goods for the lowest possible prices." To keep prices low, Marks & Spencer seeks durable relationships with its suppliers, buys large quantities and gives the manufacturer an assured outlet for year-round production. When prices fall in commodities used by the manufacturers, Marks & Spencer passes the savings on to the customers immediately. When prices rise the company resists the change as long as it can.

Until War II the top price of any item in Marks & Spencer stores was five shillings. Now it ascends to 130 shillings ($18.20) for a woman's woolen suit—still a far lower maxi-

mum than in some US supermarkets or drugstores.

To keep quality high Marks & Spencer in 1936 started a merchandise development department which is now one of the most extensive of any retailing organization in the world.

In the company laboratories, scientists and engineers not only test finished products, but work out specifications for both the products and the manufacturing process. Manufacturers agree to M&S particulars since time has shown they mean not just continued business but increased business.

One of the fields in which M&S laboratory work has been particularly successful is in working out the characteristics of synthetic textiles which will most appeal to the British market. Heavy emphasis has been laid on wearability, washability and style. Says a spokesman high in the British chemical industry: "Without Marks & Spencer, the development of synthetic textiles in Britain would be half as far along as it is today." Style is important too. M&S designers take their cues from Paris and oth showings, are given credit for brini ing luxury styles to modest pu chasers.

Actually Marks & Spencer h won quite a following among peop of not-so-modest means. "It's ge ting to be very U to go to Mar & Spencer," says a British girl li ing in the US, back from a rece visit home. She adds: "Not so lon ago a prominent Duchess came my father's office—he's a dentist- and asked him how he liked her ne dress. 'Stunning,' he said. 'Mar & Sparks,' she replied."

In food lines, Marks & Spenc lab men have put special stress c freshness. This they achieve by car ful selection and plastic packagin They aim for high turnover and sa of the food within a short "she life."

Homegrown Products

The company has made it a sp cial practice to sell goods made i Britain and boasts 99% of its war are British-made. Its trademar St Michael is known throughou Britain.

Besides its constant efforts t raise quality, Marks & Spencer ha led a war against costs—particu larly those caused by mountains c paper forms. It began in specia earnest in 1956 when Sir Simo visited a store and found customer fuming while two salesgirls fille out inventory replacement cards. H questioned whether the cards wer necessary. He and his colleague soon worked out a simpler way o doing the same thing and 1,000,00 cards were discarded.

Businessman-philanthropist Marks

Then followed the elimination of time clocks and employe time cards, stockroom order cards (replaced by a policy of "sensible approximation" of goods needed) and a drastic reduction in the size of a formerly elaborate operations manual. Other steps: eliminating stockroom guards (there was no subsequent increase in employe pilferage), free access to the stockrooms for salespeople and a policy of having stockroom and even clerical people help the salesgirls or vice versa when their respective work loads were high.

These efforts eliminated 8,000 jobs out of 28,000, yet no one at M & S lost his or her job. Career people were moved to other jobs. Many other employes who left to get married or for other reasons were not replaced.

As a result of these efforts and the "continued cooperation" of its suppliers, Marks & Spencer has been able to maintain quality without increasing prices—and in some cases has even reduced prices—in the last two years, a move which has caused even greater multitudes to crowd the green & gold front stores. In the six months ended October 31 turnover rose by 17% to $221,000,000 over the like period a year earlier. In accordance with the usual Marks & Spencer half-year practice however no profit figures were given.

Sir Simon's modern stores have come a long way from his father's penny bazaars but the ideas were inherent in his father's operating methods. He pioneered his bazaars in the outdoor marketplaces in Leeds and went into branch operation because the open-air markets were not open every day of the week.

By the time of his death in 1907, Michael Marks had built up a chain of 59 penny bazaars in partnership with Tom Spencer, a Yorkshire textile salesman.

Sir Simon joined the company shortly before his father's death, was elected a director in 1911 and has been chairman since 1916. Together with schoolday friend Israel M Sieff (now his brother-in-law and the company's vice chairman) he transformed the penny bazaars into "super stores," worked out the principles for enduring relationships with manufacturers and pioneered the use of science for all-important quality control of retail chain merchandise.

Employe Benefits

Under Sir Simon, Marks & Spencer has made special efforts for its employes. Their salaries average higher than those of other British retail workers. They have clean, comfortable dining rooms and rest rooms in each of the stores. The company offers free medical and dental aid. It has a pension scheme and a benevolent trust.

Not satisfied with mercantile achievement alone, Sir Simon has been a force in establishing the State of Israel, both through personal service and benefactions. He has been a generous contributor in many fields, particularly to the Royal College of Surgeons and University College, London. In 1944 Sir Simon was knighted for his public service.

Acquisitive American-Marietta

Diversification Helps Building Supply Maker Weather Stormy '60

MOST BUILDING supply producers suffered harshly in the past year. One to weather the storm far better than average was $300,000,000-assets American-Marietta Company which managed to report an increase in both sales and profits for the year ended November. A-M chairman Grover M Hermann (who founded the company back in 1913) has announced sales rose 11% to a record $368,000,000 while net income climbed 5% to $24,000,000.

But three acquisitions enlarged the American-Marietta capitalization to 13,000,000 shares. Consequently last year's earnings came to only $1.80 a share as against $1.92 on 1,690,000 fewer shares the year before. Both figures are based on the kiln-feed method for figuring cement depletion (IR, February 1). As originally reported with more liberal depreciation, American-Marietta's fiscal 1959 profits amounted to $2.03 a share.

Most of the extra Marietta shares (1,470,000 to be exact) were paid for the Dewey Portland Cement Company of Kansas City, acquired a year ago last month. Then in May Marietta bought aggregates supplier Fry Coal & Stone of Mercersburg, Pa. Scarcely a month later Consolidated Engravers of Charlotte, NC, the nation's largest manufacturer of engraved cylinders for printing textile fabrics, joined the A-M family.

Dewey increased total American-Marietta cement capacity 50% to more than 22,000,000 barrels a year and makes the company the seventh largest producer in the country. A new kiln at the Tulsa plant due to begin operation this Spring will add another 1,500,000 barrels.

Originally an asphalt paint company, American-Marietta first became an important cement producer with the 1954 purchase of Standard Lime & Stone. This was followed by the acquisition of Southern Cement in 1955 and Dragon in 1956.

Marietta Output

Today cement, concrete pipe, limestone (the company ranks No 1 in chemical grade limestone), brick tile and other construction materials constitute half of American-Marietta's total business. To this group Marietta recently added Manley Sand Company of Rockton, Ill.

American-Marietta's other big group is chemically oriented products like industrial finishes, printing inks, textile dyestuffs, adhesives and sealants. The company got into printing inks just three years ago with the acquisition of No 3 producer Sinclair & Valentine.

The rest of American-Marietta is a conglomerate of powder metallurgy products, pressure chambers for defense and household brooms and mops.

Its active diversification has helped American-Marietta expand both sales and profits roughly eightfold in the past decade. Of course, since many of the acquisitions were

paid for in stock, earnings a share have not kept pace. Nonetheless they have increased more than two and a half times.

This diversification pace may be in for a slowdown. In one of the largest antimerger cases ever instituted the Federal Trade Commission last month accused American-Marietta of violating antitrust laws in the acquisition of no less than 49 companies between 1953 and 1960. This is more than half of A-M's total acquisitions in the last decade. Since 1950 the company has purchased more than 70 companies at a cost of roughly a quarter billion.

The accusations cite primarily A-M acquisitions in cement, concrete pipe and limestone. In reply president Robert Pflaumer argued A-M's acquisitions were not only "entirely lawful" but "in line with the public interest."

The FTC charge brought an immediate plunge in American-Marietta common. From its previous over-the-counter bid of 41 the stock dropped to around 33. It has since recovered a point or so. Over the past decade the shares have ranged from an adjusted low of 1¾ in 1951 to a high of 46 in 1959.

In addition to the 13,000,000 common shares, there are 3,200,000 shares of Class B, all held by management and paying no dividend. These are convertible on a share for share basis into common but to date management has no plans. Ahead of these are 214,000 shares of $5 cumulative preferred and $42,500,000 in long-term debt.

In the past ten years A-M common holders have been treated to eleven cash increases as well as numerous stock dividends. There have been 2-for-1 splits in 1952 and 1955, 25% distributions in 1956 and 1959 and 50% in 1957. In fact the investor who bought 100 shares of American-Marietta in 1951 for $1,725 and held onto it would now have 937 shares worth $33,000. He would also have pocketed a total of $4,901 in dividends. The current quarterly dividend is 25¢.

Diversification has also helped American-Marietta weather industry cycles better than many competitors. Even so it can be affected by the ups & downs in any one of the industries in which it participates. With more of its business in cement this year for example, it will feel the effects of the poor first quarter which is normal to cement producers. Thus first quarter profits are not expected to equal the 26¢ netted in the first quarter of fiscal 1960.

For the full year however American-Marietta president Pflaumer is "guardedly optimistic." Chairman Hermann estimates sales of around $395,000,000 while earnings are expected to show a modest gain.

A-M adhesives aid construction

PRODUCTION PERSONALITIES

ELECTRONICS

Transitron Tells Horatio Alger Story Of Founders and Self

ONLY A LITTLE over a year ago Transitron Electronic Corp was a virtually unknown entity—that is to everyone but the electronics industry. True to its maxim, "wherever there's electronics there's Transitron," the Wakefield, Mass manufacturer had been selling its varied line of semiconductor devices to practically every segment of the electronics industry in this country almost from the beginning of its corporate life in 1952.

But it was shrouded in corporate anonymity till founder-owners Leo & David Bakalar placed a million-share block of their holdings on sale in December 1959 in one of the "hottest" Wall Street offerings in years. Another 1,250,000 shares were sold last November. In consequence Transitron acquired 25,000 stockholders and the Big Board ticker symbol TRN. But 48-year-old chairman Leo and 36-year-old president David Bakalar (see cover) still own the remaining 69% of the 7,500,000 Transitron shares and have vowed to retain a dominant position for the foreseeable future.

Since going public Transitron stock has been a volatile performer. From its original offering price of 36 it shot up in the over-the-counter market to over 50. After listing on the Big Board a year ago it reached a peak of 60 from where it has since subsided. It is now around 36.

The Bakalar business career had very humble beginnings. The son of a Lithuanian immigrant who became a high school English teacher in Lynn, Mass, Leo had to quit school at 16 to help support the family when his father died. He began in 1928 as a window dresser but soon went into business on his own and managed to make money throughout the Depression. After the war he built up a prosperous plastics business.

An Astute Vision

In the early Fifties he quite correctly envisioned the potentialities of the budding semiconductor business. He persuaded kid brother David, who by that time had a fistful of scientific degrees (among them a BA *cum laude* and MS from Harvard and an ScD from MIT), to set up a new semiconductor company. They started in a corner of Leo's plastics plant, but moved shortly thereafter to their first plant in Melrose. The plastics business incidentally enabled Leo to provide Transitron not only with its initial working space but also most of its working capital during its formative years.

Transitron grew up with the semiconductor business which has sprouted from its AT&T test tube beginnings in 1948 to a half billion dollar giant. During its first fiscal year ended June 1953 Transitron sold $10,000 worth of semiconductors. In fiscal 1960 sales were almost five thousand times that or $47,750,000. It lost $20,000 its first year, netted $8,110,000 last year.

Today Transitron boasts one of

he broadest semiconductor lines in he industry. It is a leader in both germanium and silicon diodes (used mostly for electronic switching) and rectifiers which can control the directional flow of electrical current and thus convert alternating to direct current. It is also a leader in silicon transistors, the tiny devices which in essence supplant vacuum tubes and have made possible the advances in computers and missiles. Transitron is still relatively small in production of germanium transistors though it "is expanding," especially in the more sophisticated vhf (very high frequency) end.

Quality Markets

One reason Transitron has not gone heavily into germanium transistors is many of them are the low-cost, low-reliability type used by the entertainment industry. Transitron does no entertainment business, sells only for military (60%) and industrial (40%) use. It claims its industrial customers from practically every non-entertainment market using semiconductor materials. Militarily, David Bakalar says, "we supply just about every missile made and we go into atom subs as well." One big program is Minuteman for which Transitron has about $3,000,000 in contracts.

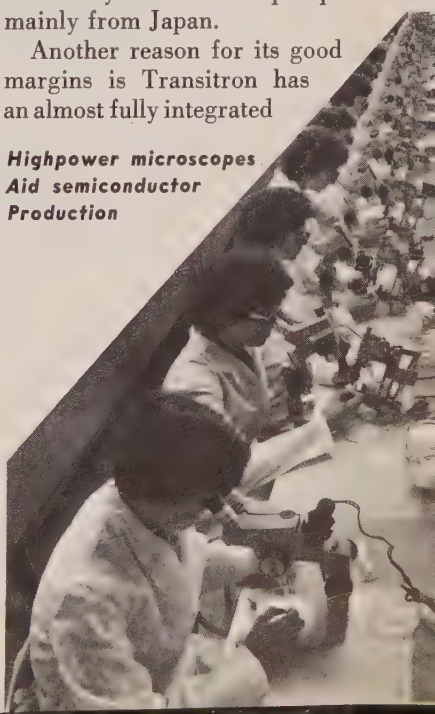
Transitron sells its semiconductor products through 21 sales offices in the US and Canada and three abroad as well as through 37 electronics distributors all over the country. Up to last April all European sales were channeled through an export company. Now Transitron has its own European sales subsidiary and staff.

Its burgeoning sales and broad product base have ranked Transitron second in the semiconductor industry behind industry leader Texas Instruments. (No 3 is GE.)

Profitwise, Transitron boasts an unparalleled first among companies who produce only semiconductors. In the past five years after-tax margins have ranged from a low of 11% in fiscal 1958 to a high of 21% in 1959. Last year's margin: 17%.

One reason Transitron has been able to maintain such a high score is it produces only high-quality, high-reliability products. While these are competitive enough, the going is nowhere near as rough as for the entertainment-type mass products where competition is keen not only from the host of large & small US producers but the market has been flooded by a rash of cheap imports—mainly from Japan.

Another reason for its good margins is Transitron has an almost fully integrated



Highpower microscopes Aid semiconductor Production

Tester sorts transistors

plant. While it buys raw materials (mostly silicon and germanium), all processing from the actual growing of the germanium and silicon crystals to the actual testing of the finished product is done by Transitron itself. In fact the company even builds its own test equipment.

A third good reason is the Bakalars, particularly business-minded brother Leo, who keep a pretty firm control over costs. Not one to splurge on overhead, Leo Bakalar is proud all three Transitron plants were real estate bargains. The Wakefield plant which also houses the company's executive offices and the new East Boston plant were once textile mills. The Melrose plant was once a bakery.

In fact Leo Bakalar spent three-to-four times as much for renovation and equipment as for the plants themselves. He states this "was far cheaper than if we built from scratch." For example the 400,000-square foot East Boston plant was purchased for roughly $1 a square foot, will cost another $4,500,000 to renovate and equip. Leo Bakalar figures it would have cost as much as $15,000,000 to build anew "so we saved $10,000,000." Another saving: by not being out on fancy Electronics Row (the Western stretch of Boston-circuiting Route 128) where labor competition is much keener, "we have a much more stable labor market. Our turnover is far less."

The new East Boston plant brings total Transitron manufacturing capacity up to 737,000 square feet and gives Transitron plenty of room in which to expand. After East Boston fills up—the Bakalars figure in about four years—it can be expanded by another 150,000 square feet before additional facilities will be needed.

Inside cost control is equally as evident. The two Bakalars share a secretary which helps keep unnecessary paper work to a minimum. Also aside from the Bakalars who each earn a $137,000 annual salary no one is paid more than $30,000 a year. However stock options amounting to 375,000 shares have been granted to certain key executives.

Always on the lookout for other ways to keep his costs down, Leo Bakalar admits "we can probably shave them another 20-to-25%." With labor roughly 50% of the total, automation automatically comes to mind. Transitron has automated manufacturing of some items such as the gold-bonded diode which appear set for long production runs. But the Bakalars caution "it's risky" in many other cases

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since in the fast-growing semiconductor industry today's product is often obsoleted by tomorrow's.

One department where costs will more than likely increase is research. In the past year alone Transitron increased its research staff by 50%.

Its first-class research department has helped Transitron to a solid position as both an innovator and a follower in semiconductors. Actually its reputation has been foremost as a follower—and a good one. Says David Bakalar realistically: "No company can be first all the time. We try to be among the leaders. But if we can't be first we are not too proud to follow and improve."

On the other beam, David Bakalar can point with pride to any number of Transitron innovations. The first was the gold-bonded diode, the simple device which supplemented the older and more complex point-contact version. This is the item which brought Transitron its first big order in 1953 and officially launched the fledgling firm into the semiconductor industry. Transitron was also first with no-noise silicon rectifiers. More recently it developed the binistor, a semiconductor unit which is expected to replace several transistors, diodes and other elements in the flip-flop circuits of certain computers.

But Transitron has been beaten to the production line on such things as controlled rectifiers and tunnel diodes. And of course it is a follower in many germanium transistor products. Transitron now, however, boasts the broadest line of silicon controlled rectifiers in the industry.

This dual role however should stand Transitron in good stead for what David Bakalar sees as an inevitable shakeout in the semiconductor industry over the next few years. He points out the smaller firms cannot afford large research expenditures. And as general research increases, it will cut the lead time during which the smaller firms can capitalize on what few firsts they are able to come up with. Further, the future lies largely in high-reliability products which call for expensive test equipment the smaller firms cannot afford.

Thus while he expects the industry will "at least double or even triple over the next five years," David Bakalar figures Transitron will do better.

Products for the Future

And just to make sure it does, the Transitron labs are busy at work on the semiconductors of the future. One field of great current interest is microminiaturization which is important "for lots of things in space." Transitron already manufactures a line of micro-diodes and micro-transistors. Another is control devices. Says David Bakalar: "Controlled rectifiers are just beginning to break. Eventually control devices could find their way into many household uses."

Transitron is also counting on good gains abroad. David Bakalar expects "our European sales over the next two-to-three years to show a better than 500% increase." Foreign sales now account for under 5% of total business. For the time being Transitron has no plans to

manufacture abroad. "We can go a long way as we are now without manufacturing—particularly in the military and computer markets—and we have extensive testing, engineering and other services available over there."

Despite their optimistic predictions for semiconductors, both Bakalars are eager to wire the Transitron future with more than one circuit. It almost merged with Minneapolis refrigerator car maker Thermo King but broke the engagement late last year. Since then it has wooed no other company publicly but the Bakalars admit they are looking.

All this is in the interests of sound business for as David Bakalar points out "the semiconductor industry is not immune from the general condition of the economy even though in a boom period it does better than the boom and in a recession it doesn't go down as much." Transitron is no exception. In the six months ended December sales climbed 7% to a record $23,526,000 but profits eased to $3,670,000 or 49¢ from 51¢ the year before. Besides the lapse in the economy Transitron paid the costs of bringing out a number of new products and moving into East Boston. Regardless of reasons David Bakalar notes: "It certainly wasn't sensational in terms of where we are going."

For the second half he is "reasonably optimistic" though he declines any exact predictions. "It all depends on what the overall economy does and on the spending plans of the new Administration." He does however "feel we are in the latter stages of the recession." As one indication he points to Transitron's $14,000,000 backlog, "the highest in a long time."

This is not Transitron's first experience with economic cycles. "We've experienced two or three since we've been in business. The worst was 1958." An obvious question is whether Transitron can maintain its excellent profit margins when the economy is under pressure and competition in its own industry intensifies. David Bakalar argues: "Actually over the last eight years our margins have been a good bit lower than they are now. They too tend to go in cycles. If you develop a new product or a new cost-saving machine they can shoot way up. But this can be offset by price declines which tend to follow the economy or increased research expenses." On the whole however he is optimistic.

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Cannes, France.....Gerard Troncin
Rome, Italy.....Eugene E. Taylor
London, England.....Sherman Gray

Hong Kong, B C C.....William A Hsi

ABOUT POCKETS

> "As a cousin of mine once said about money, money is always there but the pockets change; it is not in the same pockets after a change, and that is all there is to say about money."

Well, perhaps not quite all. That Gertrude Stein put her finger on something central when she said that cannot be disputed. We all know only too well how easily and how often money changes pockets, and no doubt a good many of us wish that more money would come into our pockets and less would go out.

But let's not forget that there are things more valuable than money. Health, friends, honor, of course. But concrete things, too. Good common stocks, for example, are potentially more valuable than money because they are likely to have not only a cash value but also an ability to earn dividends and a capacity for growth that money itself lacks.

If you have money in your pocket that you would like to exchange for good common stocks, we're at your service with a large Research Department in New York and about 2000 experienced account executives in 140 offices from Rome to Hong Kong. Be sure to let us hear from you if we can help you solve your pocket problems.

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